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*Services*

**PROPERTY AND CASUALTY PROGRAM**

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This instruction implements Air Force Policy Directive 34-2, *Managing Nonappropriated Funds*, for the Air Force Services Agency (AFSVA) property and casualty insurance program. It describes the process for filing a claim and administering the asset, aero club hull, and liability programs.

**SUMMARY OF REVISIONS**

This revision limits liability for the wrongful or negligent acts of patrons to one million dollars per occurrence.

**Section A—Asset Insurance Program**

**1. About This Section.** This section provides instructions for filing a claim and for administering the *Asset Insurance Program*.

**2. About Filing an Asset Claim.** Filing a claim consists of filing a *Notice of Loss* and a *Proof of Loss*.

**2.1. Filing the Notice of Loss.** The Resource Management Flight Chief (RMFC) sends a *Notice of Loss* by letter or message to HQ AFSVA/SVXC within 1 month of the loss. It includes:

- Installation name.
- Nonappropriated Fund Instrumentality (NAFI) name and activity.
- Name and phone number of a contact person.
- Time, date, and place of loss.
- Brief description of loss.
- Estimate of loss.

## **2.2. Filing the Proof of Loss:**

2.2.1. HQ AFSVA/SVXC sends *Proof of Loss* forms to the RMFC. The RMFC completes the *Proof of Loss* and returns it within 60 calendar days from the date that HQ AFSVA/SVXC sent the forms.

2.2.2. Unless the loss exceeds \$25,000, the RMFC signs the *Proof of Loss*. When the loss exceeds \$25,000, the SV Commander, Director, or Deputy signs.

2.2.3. If the RMFC wants more time to file the *Proof of Loss*, he or she may request additional time from HQ AFSVA/SVXC by message, letter, or telephone call.

**2.2.4. Filing the Proof of Loss.** Include the description and quantity of nonappropriated fund (NAF) depreciable property. The property must have a current value and be recorded in GLAC 181 or be construction-in-progress assets recorded GLAC 185. For resale inventory, submit a list of damaged and destroyed items with the original cost. Cover cash at its face value.

2.2.4.1. When an asset is a total loss, provide two replacement estimates. When it is not a total loss, but the loss is \$1,000 or over, provide two replacement estimates. When it is between \$500 and \$1,000, provide one estimate.

2.2.4.2. When you can sell property for its salvage value, provide two salvage bids.

2.2.5. HQ AFSVA/SVXC pays a claim when it receives reasonable evidence indicating the base suffered a covered loss and the RMFC can accurately determine the value of the loss.

2.2.6. The RMFC should not delay a claim to complete the investigation or inquiry required by AFI 34-202, *Protection of Assets* (formerly AFR 176-2).

2.2.6.1. The RMFC must send the investigation or inquiry through command channels to HQ AFSVA/SVXC as soon as it is completed.

2.2.7. The RMFC should not delay sending in a *Proof of Loss* because of pending restitution. When the person or persons causing the loss makes restitution, the RMFC will advise HQ AFSVA/SVXC of the amount and send the amount to HQ AFSVA/SVXC as soon as he or she receives it.

**3. Exclusions.** A list of exclusions to the *Asset Insurance Program* is at attachment 2.

**4. Paying Claims.** HQ AFSVA/SVXC makes payments from the Air Force Insurance Fund (AFIF).

## **5. Coverage Limits:**

- Furniture, Fixtures and Equipment, and Inventory: \$1,000,000.
- Money and Securities: \$100,000 for any one loss. (Money is currency, coins, and bank notes. Securities are all negotiable or nonnegotiable instruments or contracts representing either money or other property and includes checks and drafts, tokens and tickets.)
- Buildings (small portable or shed-type) recorded on NAF Property records: \$100,000.
- Employee Dishonesty: \$100,000 each incident.

## **6. Calculating Property Losses:**

**6.1. Replacement:**

- Divide net book value by original cost.
- Multiply the resulting percentage times the lowest replacement cost.
- Subtract salvage value, if any.

**6.2. Repair.** Submit the lowest repair estimate.

**6.3. Depreciation.** Depreciation for claims involving depreciable property will be as described in AFI 34-209, *NAF Financial Management and Accounting* (formerly AFR 176-10).

**7. Minimum Claim Payable.** If a loss is less than \$500, HQ AFSVA/SVXC does not pay the claim . When a loss is \$500 or more, HQ AFSVA/SVXC pays the full amount without deductible.

**8. Special Situations.** This program pays after all other insurance have paid. It also pays all reasonable expenses incurred in an effort to prevent further loss or damage, or required for safety or health reasons.

**9. Requesting Advance Payment.** The RMFC may submit a written request to HQ AFSVA/SVXC for advance payment before the *Proof Of Loss* is submitted for natural disasters such as hurricanes, tornadoes, fires, or similar catastrophic events.

**10. Premiums.** All NAFIs pay premiums into the AFIF based on expected cost to cover claims and expenses.

**11. Additional Insurance.** If insurance requirements exceed the coverage or limits provided for, the RMFC should make a written request, and send a copy to the MAJCOM and to HQ AFSVA/SVXC.

11.1. Do not purchase commercial insurance for the coverage addressed in this section.

**Section B—Aero Club Aircraft Hull Insurance Program**

**12. About This Section.** This section provides instructions and guidance for paying claims and administering the commercially insured *Aero Club Hull Program*.

**13. Filing a Claim.** File hull claims with the appropriate commercial insurance company identified in the Mishap Guide.

**13.1. Filing a Notice of Loss:**

13.1.1. Make sure the RMFC files all accident reports prescribed by AFI 34-117, *Air Force Aero Club Program* (formerly AFR 215-19).

13.1.2. Call HQ AFSVA/SVXC and the insurance company to report the loss.

13.1.3. File a *Notice of Loss* with the insurance company as prescribed in the Mishap Guide.

13.1.4. Note that the insurance company will send *Proof of Loss* forms to the RMFC to file a hull claim.

**13.2. Filing a Proof of Loss.** The RMFC sends the completed *Proof of Loss* with accompanying documents to the insurance company.

13.2.1. File the *Proof of Loss* on the insurance company forms and forward them to the insurance company and send copies to HQ AFSVA/SVXC.

13.2.2. Note that the insurance company will pay the claim after receiving verification of the loss and documentation reflecting the amount of the loss.

13.2.3. Note that the RMFC sends the report of investigation to HQ AFSVA/SVXC through command channels as soon as it is completed.

**14. Deductible.** A deductible applies to repair costs.

**15. Salvage.** The insurance company will arrange for salvage, if any.

**16. Recovering Lost Property.** If an aero club recovers property after it receives payment for a loss covered by the AFIF, the aero club will reimburse the AFIF to the extent of the recovery.

**17. Insuring Aircraft:**

17.1. The *AFIF Insurance Program* insures club-owned aircraft.

17.2. The AFIF insures leased aircraft only after HQ AFSVA/SVXC has approved the lease in writing (see paragraph 18).

17.3. An aircraft received at little or no cost (such as a government-loaned aircraft) is not insured, but the AFIF's asset coverage insures the capital improvements (such as avionics) installed at the expense of the aero club.

**18. When Aircraft Are Covered:**

- The program covers aircraft reported on AF Form 270, **Status of Aero Club Aircraft and Operations Report**. See AFMAN 34-132, *Air Force Aero Club Operations*, for instructions on completing AF Form 270.
- Newly acquired aircraft are covered on the day the club takes ownership. Coverage continues as long as the club reports the aircraft on AF Form 270.
- Leased aircraft are covered upon written notice of approval of the lease agreement by AFSVA/SVXC. Information required includes aircraft make, model, and year; Federal Aviation Administration registration number; total number of seats; declared value; and date obtained.

**19. Exclusions:**

19.1. The commercial hull policy does not cover:

- Fair wear and tear.
- Freezing.
- Mechanical or electrical breakdown or failure, unless such loss or damage precipitates a forced landing that results in other physical damage to the airplane.
- Other exclusions listed in the commercial insurance policy (contact HQ AFSVA/SVXC with specific questions).

## **20. Other Conditions:**

20.1. This program pays all reasonable expenses incurred in an effort to prevent further loss or damage (with the exception of offering a reward for lost property).

20.2. In the event of theft, robbery, burglary, or pilferage, the SV Commander, Director, or Deputy notifies proper authorities.

20.3. Loss to an engine will not be reduced by any previous accounting entries made on the books for future engine overhaul.

**21. Paying Premiums.** HQ AFSVA/SVXC administers the *Aero Club Aircraft Insurance Program*. Aero clubs pay a quarterly premium based on the declared value of the aircraft they report on the AF Form 270.

21.1. When an airplane is grounded for maintenance or other reasons for at least 30 consecutive days, the premium for the quarter is 25 percent of the normal premium for that quarter.

21.2. Covered aircraft acquired after the first month of a quarter or disposed of before the last month of the quarter, are not charged insurance for that quarter.

**22. Determining the Declared Value.** Use the *General Aircraft Price Guide* to establish the declared value of aero club aircraft. Establish it when the club obtains the aircraft, and reestablish it on 31 December of each year afterward.

22.1. The declared value must not deviate more than 15 percent from the average price listed in the *General Aircraft Price Guide*.

22.2. HQ AFSVA/SVPCAR approves the declared value of all insured aircraft.

22.3. The declared value of leased aircraft must be the amount stated in the lease agreement.

22.4. Declared values are set by the applicable aero club manager and submitted for approval by HQ AFSVA/SVPCAR during the first week of each January, but may be changed in the following instances after approval by HQ AFSVA/SVPCAR:

- When the value has increased due to new navigational or communication equipment.
- The value has increased due to major engine or air frame overhaul.
- The value has decreased due to hull or engine damage.

**23. Hull Loss Payments.** The insurance company makes payment after receipt of a complete *Proof of Loss*.

## ***Section C—Liability and Personnel Claims***

**24. About This Section.** This section provides for the settlement and payment of claims made against:

- NAFIs.
- NAFI employees
- Aero club contract flight instructors (maximum one million dollars per occurrence).
- Participants or customers (maximum one million dollars per occurrence).

- Authorized users of NAFI equipment or property (maximum one million dollars per occurrence).

**25. Exceptions.** This section applies to all Air Force NAFIs except:

- Air Force Civilian Welfare NAFIs or Base Restaurant NAFIs.
- Army and Air Force Exchange Service.
- Any other joint-service NAFI.

25.1. This section does not apply to claims against private organizations (PO). File a claim against a PO directly with the PO involved.

**26. Reporting Potential Liability Incidents.** The SV Commander, Director, or Deputy, prepares RCS: HAF-SVF(AR) 9463, *Potential NAF Liability Report*, and sends it to HQ AFSVA/SVXC for any NAFI-related incident which results in physical injury to a person or in which property damage is expected to exceed \$1,000.

26.1. Submit reports by routine message or faxed letter within five workdays of first knowledge of the incident, claim, or suit. This report is designated emergency status code D. Immediately discontinue reporting data requirements during emergency conditions. Discontinue reporting during MINIMIZE.

26.2. Include the base name, NAFI, name and phone of NAFI contact, estimated time and place of loss, a brief description of the incident, an estimate of the dollar loss, and any action taken by base officials.

**27. Settling Liability Claims:**

27.1. Refer anyone wanting to file a liability claim against a NAFI to the servicing Staff Judge Advocate (SJA) office.

27.2. The SJA or higher approving authority sends approved claims to HQ AFSVA/SVXC, where they are paid from the AFIF.

**28. Exclusions:**

- Claims arising from any contract.
- Claims from the bankruptcy or insolvency of any concessionaire.
- The NAF employment relationship.

**29. Personnel Claims.** The NAFI pays approved claims of less than \$500 for loss or damage to employees while working in the scope of their employment without reimbursement from the AFIF.

**30. Customer Complaints.** The SV activity manager settles customer complaints, subject to the approval of the SV Commander, Director, or Deputy without SJA involvement.

**30.1. Customer Complaints.** Customer complaints are dissatisfactions arising out of NAFI-supported operations which can be resolved by cash reimbursement, service, or replacement in kind.

**30.2. Examples of Customer Complaints:**

- Sales or service claims by customers, such as breach of warranty, defective service and shortages.
- Lost or damaged clothing claims, such as items lost in checking facilities or damaged while in the care and custody of a NAFI.
- Other claims for lost or damaged privately owned personal property in the custody of or being serviced by the NAFI.

**30.3. AFIF Reimbursement.** The AFIF reimburses NAFIs for that portion of any customer complaint paid over \$1,000. The activity manager or RMFC pays the claimant, sends a copy of the voucher to HQ AFSVA/SVXC. The AFIF reimburses the NAFI the amount of the payment over \$1,000.

**30.4. Tort-Type Claims.** Customer complaints may involve conduct which could give rise to tort-type claims; however, process them as customer complaints unless:

- They cannot be settled to the satisfaction of both parties.
- The requested settlement includes a demand for consequential damages such as for personal injury or for property damage to other than the article involved.

**30.5. Legal Involvement.** Legal involvement does not change a customer complaint into a liability claim.

**31. Federal Tort Claim Act (FTCA).** NAFIs are instrumentalities of the Federal Government and enjoy its privileges and immunities. A tort committed by a NAF employee, acting within the scope of his or her employment or duties, may give rise to NAF liability under the FTCA.

31.1. Do not use appropriated funds to pay an award, compromise, or judgment of a claim for which a NAFI is liable.

**32. Commercial Insurance.** If a special liability risk arises, such as the purchase of "rain-out/cancellation" insurance for a special one-time event, the SV Commander, Director, or Deputy must contact HQ AFSVA/SVXC and request approval to purchase commercial insurance.

**32.1. Broad Coverage.** Because of the broad coverage of the NAF *Liability Program*, NAFIs must not purchase commercial public liability insurance except when it is required by a *Status-of-Forces Agreement* or other country-to-country agreement.

**32.2. Legal Representation for Individuals:**

**32.2.1. Legal Representation.** Legal representation may be authorized to defend tort actions brought against:

- NAFI employees.
- Aero Club contract flight instructors.
- Members.
- Participants.
- Customers.
- Authorized users of NAFI equipment.

**32.2.2. Civilian Counsel.** HQ AFSVA/SVL will recommend to HQ USAF/SV if legal fees for civilian counsel should be paid from the AFIF.

**32.2.3. Legal Procedures.** For legal representation, apply the following procedures:

- The claimant forwards a request for representation to the Judge Advocate General's Claims and Tort Litigation Staff, HQ AFLSA/JACC.
- HQ AFLSA/JACC provides a copy to HQ AFSVA/SVL who reviews the request and recommends to HQ USAF/SV whether the AFIF should pay for the requested legal representation.
- If civilian counsel is retained and goes to a judgment, or a settlement is reached, HQ AFSVA/SVL will notify HQ AFLSA/JACC of the adverse judgment and the amount (The Judge Advocate General's International Law Division, HQ USAF/JAI, if the lawsuit arose in a foreign country).
- HQ AFSVA/SVL works with HQ AFLSA/JACC or HQ USAF/JAI, as appropriate, to determine whether or not the judgment or compromise should be paid by HQ AFSVA/SVXC.

**33. Paying Premiums To Support the Program.** All NAFIs (except those specifically excluded in paragraph 25) pay premiums into the AFIF. HQ AFSVA/SVXC calculates premiums based on the need to cover all claims and expenses.

**34. Special Conditions:**

34.1. Where a claim involves commercial insurance purchased and paid for by the AFIF, HQ AFSVA/SVXC will assure that the correct payment is made from any commercial insurance policy.

34.2. SV managers should contact HQ AFSVA/SVXC before arranging for or becoming involved in any venture where the risk of loss could substantially increase NAF liability exposure.

34.3. Neither the US Government nor any of its instrumentalities may file a payable claim against a NAFI.

34.4. Unless the activity manager or higher authority grants approval, do not consider property of others left on the premises as in the care and custody of any activity.

**35. Liability Insurance For Aero Club Aircraft:**

35.1. When the airplane arrives at the aero club and the previous owner transfers control of the airplane to the club, club insurance covers club-owned and government-loaned aircraft.

35.2. On the date HQ AFSVA/SVXC approves the lease, the lease covers the leased aircraft.

STEVAN B. RICHARDS, Colonel, USAF  
Director of Services

## **Attachment 1**

### **GLOSSARY OF ABBREVIATIONS AND ACRONYMS**

#### ***Abbreviations and Acronyms***

**AFSVA**—Air Force Services Agency

**AFIF**—Air Force Insurance Fund

**APF**—Appropriated Fund

**FTCA**—Federal Tort Claim Act

**NAF**—Nonappropriated Fund

**NAFI**—Nonappropriated Fund Instrumentality

**RMFC**—Resource Management Flight Chief

**SV**—Services

## Attachment 2

### EXCLUSIONS FROM THE ASSET PROGRAM COVERAGE

#### A2.1. Caused by the Passage of Time:

- Fully depreciated assets.
- Loss from refinishing, renovating, repairing, mechanical breakdown or failure, product defect, wear and tear, gradual deterioration, corrosion, rust, dampness of atmosphere, freezing, or extremes of temperature. The exception is that damage from bursting pipes from temperature extremes is covered.
- Loss or damage to tires or tubes, unless caused by fire, windstorm, vandalism, malicious mischief, or theft.
- Spoilage unless from fire, flood or storm.

#### A2.2. Administrative and Operational Reasons:

- Missing property discovered by inventory, unless there is evidence that burglary, robbery, theft, or the dishonest act of an employee caused it.
- Loss or damage caused by electricity. Loss to electrically operated devices unless fire ensues, and then only for the loss caused by fire. The exception is that damage from a lightning strike is covered.
- Giving or surrendering of money or securities in any exchange or purchase.
- Accounting or arithmetical errors or omissions.
- Money contained in coin-operated machines, except for slot machines with counting devices that compute the exact value in the machine at all times.
- Property in the control of any common carrier.
- Shipments by US or commercial delivery service, except where a base must use US mail because of its remote location.
- Aircraft Hull damage (see section B).

#### A2.3. Other:

- Books and records except for their physical value.
- Animals.
- "Fine arts" including paintings, pictures, tapestries and other verified works of art or rarity.
- Jewelry and furs.
- Appropriated fund (APF) property (including NAF property transferred to APF title).
- Loss of property owned by others, such as employees, customers, or NAF contractors.